



# VIRGINIA MILITARY INSTITUTE

## REPORT ON AUDIT FOR THE YEAR ENDING JUNE 30, 2020

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## AUDIT SUMMARY

We have audited the basic financial statements of Virginia Military Institute as of and for the year ended June 30, 2020, and issued our report thereon, dated June 10, 2021. Our report, included in the Institute's basic financial statements, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at the Institute's website at [www.vmi.edu](http://www.vmi.edu). Our audit found:

- the financial statements are presented fairly, in all material respects;
- two internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- one instance of noncompliance or other matters required to be reported under Government Auditing Standards.

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## INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

### **Improve Procedures over Completing Employment Eligibility (I-9) Forms**

**Type:** Internal Control and Compliance

**Severity:** Significant Deficiency

**Repeat:** Yes (first issued in fiscal year 2019)

**Prior Title:** Improve Controls over Employment Eligibility Verification

During fiscal year 2020, Virginia Military Institute (Institute) personnel did not complete Employment Eligibility Verification (I-9) Forms or submit case verifications through the employment eligibility system timely in accordance with federal requirements. These errors occurred because Institute personnel do not have an adequate understanding of the E-verify requirements and Institute personnel and the Human Resources Office do not communicate effectively. Of the 21 forms reviewed, Institute personnel made the following errors:

- For five employees (24%), the E-Verify case verification reporting was completed later than three business days after the employees' first day of employment. In addition, Human Resource personnel did not document the reason for delay.
- For one employee (5%), Section 1 of the I-9 Form was completed after the employee's first day of employment.
- For one employee (5%), Section 2 of the I-9 Form was completed later than three business days after the employee's first day of employment.

In accordance with Section 2.0 (Create a Case) of the Employment Verification User Manual, "Verification cases must be created no later than the third business day after the employee started work for pay. If the case is being created three or more days past the employee's first day of employment, you must provide a reason for the delay." In accordance with Section 2.0 (Who Must Complete Form I-9) of the United States Citizenship and Immigration Services (USCIS) Handbook for Employers (M-274), "Employees must complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer. The employer must review the employee's document(s) and fully complete Section 2 within three business days of the first day of employment." Not complying with federal requirements for employment eligibility could result in civil or criminal penalties and debarment from government contracts.

The Human Resources Office should provide employment verification training materials to Institute personnel to build upon the current understanding of the federal case verification submission requirements and develop effective methods of communication with department personnel. Institute personnel should perform a thorough review of existing controls and make changes as needed to ensure personnel submit documents that support the employment eligibility process timely.

## **Improve Termination Procedures**

**Type:** Internal Control

**Severity:** Significant Deficiency

**Repeat:** No

During fiscal year 2020, Virginia Military Institute (Institute) personnel did not complete procedures pertaining to terminated employees timely. The underlying cause of these exceptions is that there are too many forms and checklists to complete at termination, making the process inefficient. Of the 15 terminated employees reviewed, Institute personnel performed termination procedures late in the following instances:

- For three employees (20%), all VMI issued property, such as charge cards, travel cards, keys, and personal electronics, were not collected until 11 to 37 days after the employees' termination date.
- For three employees (20%), removal of access to buildings, significant systems, and networks was not completed until nine to 58 days after the employees' termination date.

In accordance with Institute Policies and Procedures (General Order 35 – Personnel Clearance Procedures Policy, Section 2. Notification of Separation from the Institute), “As soon as the immediate supervisor learns of the departure or planned departure of an employee or other individual covered by this policy, the supervisor must send (either electronically or by fax) the “Exit Alert” form to the Human Resources Office.” In accordance with Section 5. Responsibility of this policy, it is the responsibility of the Human Resources Office to enter the individual's separation date and account lock date into the Institute's accounting and financial reporting system within 72 hours of receiving the notification. The accounting and financial reporting system will disable the individual's account as needed. The Human Resources Office also will destroy any Institute identification card issued to the individual and ensure the individual no longer has access to Institute facilities.

Not completing procedures pertaining to terminated employees timely increases the Institute's level of risk of incurring payroll errors, loss of equipment and other Institute property, and unauthorized access to Institute computer systems and facilities. The Human Resources Office should perform a review of forms, checklists, and processes required at termination and implement changes that will make the process more efficient and enable Institute personnel to perform termination procedures timely.



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

June 10, 2021

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Kenneth R. Plum  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
Virginia Military Institute

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER

## FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of **Virginia Military Institute** as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements and have issued our report thereon dated June 10, 2021. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the Institute, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control entitled "Improve Procedures over Completing Employment Eligibility (I-9) Forms" and "Improve Termination Procedures," which are described in the section titled "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the section titled "Internal Control and Compliance Findings and Recommendations" in the finding entitled "Improve Procedures over Completing Employment Eligibility (I-9) Forms."

### **The Institute's Response to Findings and Recommendations**

We discussed this report with management at an exit conference held on June 16, 2021. The Institute's response to the findings and recommendations identified in our audit is described in the accompanying section titled "Institute's Response." The Institute's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

### **Status of Prior Findings and Recommendations**

The Institute has not taken corrective action with respect to the previously reported finding "Improve Controls over Employment Eligibility Verification." Accordingly, we included this finding and recommendation in the section entitled "Internal Control and Compliance Findings and Recommendations."

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

DBC/vks

**VIRGINIA MILITARY INSTITUTE**  
LEXINGTON, VIRGINIA 24450-0304

COMPTROLLER  
Office: 540-464-7270  
Fax: 540-464-7794

28 June 2021

Staci Henshaw, CPA  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218

Dear Ms. Henshaw:

The Virginia Military Institute has reviewed the findings and recommendations provided by the Auditor of Public Accounts for fiscal year ended June 30, 2020. I hereby provide the following response for Report on Audit inclusion:

- 1.) Improve Procedures over Completing Employment Eligibility (I-9) Forms
- 2.) Improve Termination Procedures

Management agrees with both findings, and we have immediately commenced the formulation and implementation of remediation. We appreciate the opportunity to formally respond, the APA engagement team's continuous professionalism and look forward to certifying full in the near future.

If you have any questions or need additional information, please do not hesitate to contact me by phone at (540) 464 -7161 or by email at [terapanecj@vmi.edu](mailto:terapanecj@vmi.edu)

Most Respectfully,



MAJ Christopher J. Terapane  
Interim Comptroller, Virginia Military Institute



## **VIRGINIA MILITARY INSTITUTE**

As of June 30, 2020

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